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FM AMEMBASSY LIMA
TO SECSTATE WASHDC IMMEDIATE 1646
INFO AMEMBASSY BOGOTA
AMEMBASSY LA PAZ
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Date 2/27/02 Exemption 1.5d

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ARA/AND ALSO FOR AMB WATSON

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() Classify as ☒ Extend as () Downgrade to Conf

Date 2/27/02 Declassify on 9/12/13 Reason X6

USCINCSO ALSO FOR POLAD JOHN YOULE

E.O. 12356: DECL: OADR

TAGS: PGOV, SNAR, PTER, PHUM, PBTS, PREL, ECON, PE, EC

SUBJECT: POLITICAL WRAP-UP: AUGUST 12 - SEPTEMBER 12

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

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3. OVERVIEW:

PERU'S RAPIDLY DETERIORATING ECONOMY DOMINATED POLITICAL EVENTS IN AUGUST AND EARLY SEPTEMBER. RUMORS THAT ECONOMY MINISTER ROBLES WAS ON HIS WAY OUT BEGAN IN MID-AUGUST. PRESIDENT GARCIA REPORTEDLY OFFERED THE POSITION TO OPPOSITION SENATOR AND FORMER FINANCE MINISTER JAVIER SILVA RUETE AND PUBLICLY CALLED ON HIM TO PROPOSE CORRECTIVE MEASURES. HAVING BEEN BURNED LAST MARCH BY SUPPORTING STRONGER MEASURES THAN THOSE THE PRESIDENT ULTIMATELY APPROVED, SILVA ON THIS OCCASION REFUSED TO BE SMOKED OUT. HE BLASTED GARCIA FOR ECONOMIC MISMANAGEMENT AND SAID THE MESS WAS HIS PERSONALLY TO CLEAN UP. OTHER RESPECTED OPPOSITION FIGURES ALSO FOCUSED THE BLAME DIRECTLY ON GARCIA IN SOMETIMES BRUTAL

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LANGUAGE. WHEN THE CABINET SHUFFLE CAME ON SEPTEMBER 2, ROBLES AND TWO OTHERS LEFT, ENERGY AND MINES MINISTER SALINAS REPLACING ROBLES. SALINAS PRESENTED THE GOP'S ANTI-INFLATION PLAN SEPTEMBER 6; PUBLIC AND POLITICAL REACTION HAS SO FAR BEEN RELATIVELY SUBDUED, BUT IS BEGINNING TO BUILD.

AS THE CABINET WAS DEBATING THE PLAN, PRESIDENT GARCIA PRIVATELY THREATENED TO RESIGN, GOING SO FAR AS TO DRAFT A LETTER OF RESIGNATION THAT HE REPORTEDLY SHOWED TO VICE PRESIDENTS SANCHEZ AND ALVA CASTRO AND PRIME MINISTER VILLANUEVA. HOW FAR THE PRESIDENT INTENDED TO CARRY THE THREAT IS UNCLEAR; HE SPIKED THE WHOLE MANEUVER THE DAY IT LEAKED TO THE PRESS, SEPTEMBER 8. COUP PARANOIA SURFACED IN SOME GOVERNMENT CIRCLES DURING THIS PERIOD; GARCIA INCLUDED A DENIAL THAT A COUP WAS IMMINENT IN HIS SEPTEMBER 8 STATEMENT. IN THE AFTERMATH OF THIS MINI-CRISIS, ATTENTION TURNED TO SORTING OUT WHAT HAD HAPPENED AND, AGAIN, TO THE PRESIDENT'S EMOTIONAL STABILITY.

4. NARCOTICS: ARMED STRIKE IN THE UHV AND
- UPROAR OVER ACQUITTAL OF NARCOTICS TRAFFICKER:

A LOOSE COALITION OF COCA GROWERS, TRAFFICKERS AND SENDERO LUMINOSO VIRTUALLY SHUT DOWN NORMAL ECONOMIC ACTIVITY IN THE UPPER HUALLAGA VALLEY AUGUST 19-24. THE PRO-SL "EL DIARIO" PROVIDED PROMINENT COVERAGE OF WHAT IT BILLED AS SL'S THIRD "ARMED STRIKE" IN LESS THAN A MONTH AND IN THE VALLEY SPREAD FLYERS THAT PROMOTED AND CLAIMED CREDIT FOR ITS ORGANIZATION. OPPOSITION TO POSSIBLE

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USE OF HERBICIDES WAS A FEATURE OF THE STRIKE.
ROADS INTO AND THROUGH THE VALLEY WERE BLOCKED

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ARA/AND ALSO FOR AMB WATSON

USCINCSO ALSO FOR POLAD JOHN YOULE

E.O. 12356: DECL: OADR

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SUBJECT: POLITICAL WRAP-UP: AUGUST 12 - SEPTEMBER 12

THROUGHOUT THE PERIOD BY ROCKS, LOGS AND BRUSH.
NAU-CONTRACTED AIR ASSETS TOOK FIRE ON TWO
SEPARATE OCCASIONS, ONE HELICOPTER SUSTAINING
DAMAGE AND A PILOT BEING SLIGHTLY WOUNDED AUGUST 21.

IN ANOTHER NARCOTICS DEVELOPMENT, CONVICTED
NARCOTICS TRAFFICKER PERCILES SANCHEZ PAREDES
WAS SET FREE ON APPEAL BY FOUR SUPREME COURT

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JUSTICES AUGUST 8. SANCHEZ, FROM TRUJILLO, HAD
BEEN CONVICTED IN 1980 AND SENTENCED TO 15 YEARS
IMPRISONMENT FOR COCAINE TRAFFICKING. SANCHEZ
THREW A HUGE PARTY AND PROMPTLY WENT UNDERGROUND.
IN THE ENSUING POLITICAL UPROAR, A COALITION
OF APRA, IU AND RIGHTIST PARTIES HELD A PROTEST
RALLY IN TRUJILLO AND CONDEMNATION OF THE SUPREME
COURT HAS BEEN FORTHCOMING FROM VITALLY ALL
QUARTERS. SUPREME COURT PRESIDENT MENDEZ OSBORN
SAID A REVIEW OF THE TECHNICALITIES SHOWED THE
DECISION WAS CORRECT AND THAT HE CONSIDERED
THE MATTER CLOSED. THERE IS A MOVEMENT IN CONGRESS,
HOWEVER, TO IMPEACH THE FOUR SUPREME COURT JUSTICES
WHO VOTED FOR ACQUITTAL AND THEY'VE BEEN GENERALLY
PILLORIED IN THE MEDIA. COMING ON THE HEELS OF
THE ACQUITTAL (ON THE FIRST SET OF CHARGES) OF

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SL LEADER OSMAN MOROTE, THE SANCHEZ CASE HAS SUNK THE REPUTATION OF PERU'S JUDICIARY TO NEW DEPTHS. IT IS VAGUELY ENCOURAGING, HOWEVER, THAT THE PUBLIC REACTION HAS BEEN SO STRONG.

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5. APRA POSTPONES ITS PARTY CONGRESS -- AGAIN:

-

APRA ANNOUNCED SEPTEMBER 10 THAT ITS PARTY CONGRESS IS BEING POSTPONED TO DECEMBER. EXACT DATES ARE STILL UNDECIDED. THE CONGRESS WAS ORIGINALLY SET FOR AUGUST AND WAS THEN DELAYED UNTIL OCTOBER. NO REASONS FOR THE NEW POSTPONEMENT WERE GIVEN, BUT APRA SOURCES TELL US THE MOST IMPORTANT IS CONFLICT BETWEEN NATIONAL AND PROVINCIAL LEADERSHIP OVER THE ACCURACY OF PARTY MEMBERSHIP REGISTERS, ON WHICH THE SIZE OF DELEGATIONS TO THE 1500-DELEGATE NATIONAL CONGRESS WILL BE BASED. GARCIA SUPPORTERS

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SAY THE DELAY FAVORS THE PRESIDENT; ALVA CASTRO SUPPORTERS SEEM UNDISTURBED. NOW THAT HE IS JUST A RANK AND FILE DEPUTY, ALVA CASTRO IS HAVING SOME DIFFICULTY, HOWEVER, KEEPING HIS NAME IN THE NEWS (HE KEEPS DROPPING IN PRESIDENTIAL POLLS). TO COMPENSATE, ALVA HAS RECENTLY PUBLISHED TWO BOOKS -- ONE ON HAYA DE LA TORRE, THE OTHER ON FOUNDING PARTY MEMBER MANUEL SEONE, WHO DIED 25 YEARS AGO. BOTH BOOKS ARE COMPILATIONS OF ARTICLES BY HAYA AND SEONE AND WERE CLEARLY SLAPPED TOGETHER HASTILY. THEY WERE FINANCED BY ALVA'S BUDDY ENRIQUE MIRANDA, OWNER OF DEZA PUBLISHERS. AT THE PRESENTATION OF THE SECOND BOOK SEPTEMBER 10, ALVA HAD OLD GUARDISTS LUIS ALBERTO SANCHEZ AND FERNANDO LEON DE VIVERO ON THE PODIUM WITH HIM. ALSO PRESENT WAS THE NEW MINISTER OF ENERGY AND MINES, JOSE CARRASCO TAVARA. CARRASCO HAD PUBLICLY SUPPORTED ALVA IN HIS CONFLICT WITH GARCIA IN JUNE 1987, BUT ADVOCATED GARCIA'S RE-ELECTION IN A STATEMENT IN OCTOBER 1987.

-

6. OPPOSITION POLITICS: AUGUST DOLDRUMS:

-

THE UNITED MARIATEGUIST PARTY (PUM), THE MOST RADICALLY LEFTIST OF THE UNITED LEFT COALITION, BARELY SURVIVED A SPLIT BETWEEN ITS RADICAL AND LESS RADICAL FACTIONS IN LATE AUGUST. THE QUARREL (OVER POWER WITHIN THE PARTY, BUT WITH POLITICAL STRATEGY THE OSTENSIBLE ISSUE) APPEARS PATCHED UP FOR THE MOMENT. FORMER IU PARTY PRESIDENT ALFONSO BARRANTES HAS LATELY KEPT A LOW PROFILE, BUT WENT ON TELEVISION SEPTEMBER 11 TO CRITICIZE THE GOP ECONOMIC PACKAGE FOR ITS EFFECT ON THE POOR. THE IU SPENT MUCH OF AUGUST OPPOSING AN AGREEMENT WITH SHELL TO EXPLOIT THE CAMISEA GAS DEPOSITS IN CUZCO DEPARTMENT (ELEMENTS

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WITHIN APRA ALSO OPPOSED THE AGREEMENT). THE IU INEFFECT-
UALLY ATTEMPTED TO CALL THE GOP TO ACCOUNT OVER NEW
EVIDENCE THAT IT'S COVERING UP THE CAYARA
MASSACRE OF LAST MAY.

ON THE RIGHT, POPULAR ACTION'S FERNANDO BELAUNDE
AND THE LIBERTY MOVEMENT'S VARGAS LLOSA CONTINUE

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TO CONDUCT CAMPAIGN-LIKE ACTIVITY, BOTH MAKING
 APPEARANCES IN LIMA SHANTYTOWNS. THE THIRD LEADER
 OF THE DEMOCRATIC FRONT, LUIS BEDOYA REYES OF THE
 POPULAR CHRISTIAN PARTY, HAS APPEARED ON TALK
 SHOWS (RAISING THE ISSUE OF THE PRESIDENT'S
 MENTAL HEALTH SEPTEMBER 11). THE PPC HAS BEEN
 TRYING TO ORGANIZE FINANCING TO ACQUIRE A PARTY
 NEWSPAPER. LEADERS OF THE THREE PARTIES HELD

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THEIR FIRST MEETING IN MONTHS IN EARLY SEPTEMBER.
 WORK CONTINUES AT A SNAIL'S PACE ON DEVELOPING
 A COMMON PLATFORM, BUT THERE IS SOMEWHAT GREATER
 HARMONY WITHIN THE FRONT THAN IN EITHER APRA OR
 THE IU. THE DEMOCRATIC FRONT RAN A FULL-PAGE
 POLITICAL AD SEPTEMBER 7 THAT MADE LIBERAL USE
 OF THE WORK "PROGRESS" AND ITS DERIVATIVES. A
 PRIVATE POLL CONDUCTED FOR THE FRONT SHOWED MANY
 RESPONDENTS VOLUNTARILY IDENTIFYING THEIR POLITICAL
 OUTLOOK AS "PROGRESSIVE."

-
 SODE (SOLIDARITY AND DEMOCRACY), THE CENTRIST
 POLITICAL GROUPING OF POLITICIANS AND TECHNOCRATS
 ASSOCIATED WITH SENATOR JAVIER SILVA RUETE
 (INCLUDING FORMER CENTRAL BANK PRESIDENT MOREYRA,
 DEPUTY AURELIO LORET DE MOLA, AND THE PRIVATE
 CONSULTING FIRM, MACROCONSULT), IS ATTEMPTING
 TO REGISTER AS A POLITICAL PARTY. AREQUIPA MAYOR

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LUIS CACERES CONTINUES TO STAY IN THE NEWS BY VIRTUE OF PERSONAL FLAIR AND UNCRITICAL MEDIA COVERAGE. IN THE MIDDLE OF THE GARCIA RESIGNATION EPISODE, CACERES TOLD A CHEERING RALLY IN AREQUIPA THAT THE PRESIDENT'S DEPARTURE STRUCK HIM AS A GOOD IDEA AND DRESSED IN MOURNING (FOR THE ECONOMY) SEPTEMBER 11. VILLA EL SALVADOR MAYOR MIGUEL ASCUETO ALSO CONTINUES TO GET LOTS OF ATTENTION. HE BASHED THE IU LEADERSHIP FOR FAILING TO LEAD IN A SEPTEMBER 10 OP-ED PIECE.

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7. TERRORISM ODDS AND ENDS:

LIMA IN THIS REPORTING PERIOD HAD A RELATIVELY LOW LEVEL OF TERRORIST ACTIVITY; THERE HAVE

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BEEN NO MAJOR INCIDENTS SINCE THE LARGE BLACKOUT AT THE END OF JULY. OUTSIDE LIMA, HOWEVER, SL CONTINUES TO KEEP THE HEAT ON, PARTICULARLY IN THE AYACUCHO EMERGENCY ZONE AND THE CENTRAL SIERRA DEPARTMENTS OF JUNIN AND CERRO DE PASCO. IN APURIMAC (AYACUCHO EZ), SL PULLED OFF ITS SECOND "ARMED STRIKE" IN A PERIOD OF A FEW WEEKS, EFFECTIVELY SHUTTING DOWN ECONOMIC ACTIVITY IN ANDAHUAYLAS THE MIDDLE OF AUGUST. SL FOLLOWED UP WITH ANOTHER SUCH STRIKE IN THE UHV (SEE PARA 4). ON SEPTEMBER 9, THE PRESS PUBLISHED A PHOTO OF RETIRED GENERAL JERI GARCIA, KIDNAPPED JULY 7, IN FRONT OF AN MRTA BANNER AND ON SEPTEMBER 11 A LIMA TV CHANNEL PLAYED A TAPE FROM JERI CONFIRMING THAT MRTA IS HOLDING HIM FOR RANSOM. THE CONGRESS IS ABOUT READY TO DEBATE THE ANTI-TERRORIST LEGISLATION THE PRESIDENT PROPOSED JULY 27. THE PRESIDENT HAD ASKED THAT IT BE APPROVED IN 15 DAYS. THE LEGISLATION FACES DIFFICULTY, AS JUSTICE MINISTRY ADVISERS AND OTHERS SAY IT WAS SLOPPILY AND HASTILY DRAWN UP BY THE INTERIOR MINISTRY. SL LEADER MOROTE IS INTO HIS SECOND TRIAL, WHICH IS GETTING LESS PUBLICITY THAN THE FIRST. MOROTE HAS SEVERAL TIMES REFUSED TO APPEAR IN COURT AND APPARENTLY GOTTEN AWAY WITH IT. MARTHA HUAYTAS, PRESIDENT OF THE PRO-SL DEMOCRATIC LAWYERS' ASSOCIATION, HAS REPORTEDLY GONE INTO HIDING. THE PRO-SL "EL DIARIO," REDUCED FROM ITS FORMER 16 TO 4 PAGES, IS TRYING TO RAISE MONEY TO BUY ITS OWN PRINTING PRESS. ITS EDITOR, LUIS ARCE BORJA, WAS DETAINED AUGUST 23 AND CHARGED WITH TERRORISM 15 DAYS LATER. HIS DETENTION PROMPTED A LETTER TO PRESIDENT GARCIA FROM THE U.S. COMMITTEE TO PROTECT JOURNALISTS. PERUVIAN HUMAN RIGHTS GROUPS HAVE NOT COME TO ARCE'S DEFENSE.

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8. RETROSPECTIVE ON BORJA STATEMENT ON BORDER
- CONFLICT WITH PERU:
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THE FLAP CAUSED BY ECUADORIAN PRESIDENT BORJA'S
REFERENCE TO ITS BORDER CLAIMS WITH PERU HAD
LARGELY FADED BY LATE AUGUST, BUT THE SUBJECT

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CONTINUES TO CROP UP IN CONVERSATIONS AND SUNDAY
OP-ED PIECES. MFA OFFICIALS TOOK THE WHOLE
EPISODE MORE SERIOUSLY THAN WE WOULD HAVE EXPECTED.

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9. INDUSTRIES MINISTER GARCIA OFF TO POOR START:

NEWLY APPOINTED MINISTER OF INDUSTRIES, TOURISM
AND INTEGRATION IVAN ("JUST CALL ME 'JUAN'")
GARCIA CABREJOS STARTLED AND DISMAYED THE PRIVATE
SECTOR BY TELLING THE PRESS SEPTEMBER 7 THAT
"MY ENEMIES ARE NOT TO MY LEFT; THEY ARE TO MY
RIGHT." GARCIA WENT ON TO PROCLAIM HIS FAITH
IN THE NECESSITY OF STRONG PUBLIC ENTERPRISES
(AT THE TIME OF HIS APPOINTMENT HE WAS HEAD OF
SIDERPERU, ONE OF PERU'S MOST INEFFICIENT PUBLIC
ENTERPRISES). MOST BUSINESSMEN RECOGNIZE THAT
FORMER MINISTER ARTEAGA, WHOM THEY LIKED PERSONALLY,
HAD GOTTEN INTO TOO MUCH HOT WATER TO LAST.
BUT THEY ARE OUTRAGED AND PERPLEXED THAT A GOVERNMENT

THAT PROFESSES TO WANT IMPROVED RELATIONS WITH THE PRIVATE SECTOR WOULD APPOINT SOMEONE LIKE GARCIA. IN A LONG INTERVIEW SEPTEMBER 10 WITH MARIELLA BALBI (PERU'S ORIANA FALACCI), GARCIA TRIES TO MAKE AMENDS WITHOUT ADMITTING OUTRIGHT THAT HE GOOFED AND DOES NOT, IN OUR VIEW, PULL IT OFF: "WHY, SOME OF MY BEST FRIENDS ARE ENTREPRENEURS," SAYS GARCIA.

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10. UPCOMING EVENTS AND OUTLOOK:

THE PUBLIC AND POLITICAL REACTION TO THE ANTI-
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INFLATION PACKAGE ANNOUNCED SEPTEMBER 6 HAS BEEN SLOW TO BUILD, BUT IS BEGINNING TO TAKE SHAPE. WE EXPECT IT TO GROW IN THE DAYS (THE IU IS ORGANIZING A MAJOR RALLY NEAR THE EMBASSY FOR SEPTEMBER 13) AND WEEKS AHEAD AND THAT THE FALLOUT FROM THE ECONOMIC SITUATION WILL CONTINUE TO DOMINATE POLITICAL DEVELOPMENTS. WE WILL BE WATCHING CLOSELY FOR MILITARY ATTITUDES. AN IMPORANT BAROMETER WILL BE HOW THE PRESIDENT FARES IN THE NEXT PUBLIC OPINION POLLS. WE UNDERSTAND THAT AN UNDER-THE-TABLE SALARY HIKE FOR THE MILITARY IS CONTEMPLATED BY THE GOP BUT LACK HARD INFORMATION SO FAR. CONGRESS WILL BE STRUGGLING WITH ANTI-TERRORIST LEGISLATION AND WITH THE NEED TO REVIEW PRIOR BUDGET AUTHORIZATIONS. WITH THE POST-PONEMENT OF THE APRA AND IU CONGRESSES UNTIL DECEMBER, THERE ARE FEW POLITICAL EVENTS SCHEDULED.

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